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The Meaning *of* Property

by

ISAAC H. LIONBERGER, Chairman
AMERICAN CREDIT-INDEMNITY
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"If in some things I dissent from others whose wit, industry and judgment I look up at and admire, let me not therefore hear presently of ingratitude and rashness; for I thank those who have taught me, and will ever; but yet dare not think the scope of their labor and inquiry was to envy posterity what it could add and find out."

"I do not desire to be equal to those that went before, but to have my reasons examined with theirs and so much to be given to them as they shall deserve. I will have no man addict himself to me, but if I say anything right, defend it as truth—*non mihi cedendum sed veritati.*"

—Ben Jonson.

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INTRODUCTORY

Property is a natural or artificial institution, as we choose to judge of it. Those of us who approve of it rather admit than attempt to justify its sanctity. Having it and content with its possession, we incline to regard with a certain scorn the complaints of those who question the justice of a blessing in which they do not share. Yet it is unwise to ignore the challenge of discontent. The church employs its preachers; every political party its advocates; the law must be vindicated over and over again from day to day and generation to generation, for what is not understood cannot survive. A hereditary monarchy was for many centuries a sacred institution and no man dared to question the Divine Right of kings. Yet today, notwithstanding its distinct and visible utility, its many brilliant and useful achievements and the confusions and disorders which it precludes, the institution is being dissolved by the inconsiderate suspicions of those who cannot understand its usefulness, who do not perceive that democracy is a confused and disturbed society and that none but a very intelligent people, practiced in self-restraint, can by ballot choose one to rule over all the rest. A king is an idea, indispensable to those who are used to it and cherish it. It stands for order and peace, avoids frequent elections and party

strife and constant uneasiness, precludes corruption and intimidation and admits of the transition of power from faction to faction without the horrors of revolution. Because the hereditary principle is most useful and convenient, many wise people support it, however foolish it may seem to the unthoughtful.

Property is harder to vindicate than the institution of kingship. Its utility is not so obvious to the average man. It is produced by the co-operation of all, yet one has more and another less. Who can justify the millionaire to the pauper? Upon what principle does wealth rest? There are no trained advocates to answer this question, yet it must be answered and so answered as to leave no doubt in any honest mind. Political power has passed to the majority and with it the right to tax, and with the right to tax, the power to confiscate. Men who cannot perceive the righteousness of another's prosperity are apt to hate it and attempt to destroy it. A majority in every democracy is composed of men of moderate means or none. Great wealth is therefore odious to them. A new instrument has recently been put into their hands. An income tax is an unequal tax; it does not touch the majority. That such a tax will be used to restore a plausible and specious equality no man

can doubt who observes the growing burdens put upon the rich. We believe vaguely in equality. The dim generalities of the Declaration of Independence have long been taught in the schools, and as that instrument declares that men are born equal, we think they should be so. Yet we can nowhere perceive equality. Some are rich and some poor, some masters and some servants. It will not do to say that men are equal under such circumstances, nor can we justify inequality by affirming that many are foolish and some wise, some good and many bad. The majority is not as well off as the minority, and an argument predicated upon the inferiority of the majority will never find acceptance among a turbulent and free people.

To justify private property and its unequal distribution, we must resort to other arguments. We must show why and how inequality is indispensable to the general welfare—to the poor as well as to the rich; and must prove not only the private value and general utility of property, but make it evident that like every other conventional institution, it is the servant and not the master of men. We must allay the discontent which we now observe by showing that property is not the cause of the evils complained of, but that these evils result from other influences,

which private property tends to mitigate; and demonstrate clearly upon what considerations it rests, what evils it mitigates, what general good it accomplishes and why one should have more and another less. These are the problems which confront us.

If we begin at the beginning and affirm what no man is likely to deny, namely that goods are indispensable to the general welfare,—and I mean by goods all those wares and commodities which conduce to the comfort and happiness of men,—and leave aside for the moment all notions of property, we are brought face to face with the question, how shall these goods be provided? They are not natural in the sense that nature produces them ready for man's enjoyment. Savages may flourish upon the spontaneous offerings of nature, but the civilized man cannot pluck food from an uncultivated field nor clothe himself with the leaves of the forest; he must work in order to live. The wealth we moderns need is artificial wealth and must be produced by labor.

Starting with this valid assumption, we are confronted with the real problem of industry, namely, how shall we labor? Should each be left to his own resources and be dependent upon himself, or should we resort to some contrived

scheme of cooperation wherein each shall be set to perform that sort of labor for which he is best fitted? The latter plan seems not only more rational, but more generous. It is rational because it sets before each a task suited to his capacity, and it is generous because the special capacity of each is enabled to promote the welfare of all. Let us therefore first discuss this plan, which for convenience' sake we will call communism. It is unnecessary to define the word. If we leave aside all nice discriminations which are likely to confuse, communism may be regarded as that scheme of cooperation which exacts from every individual the sort of productive labor for which he is best fitted, in order that a common wealth may be produced as efficiently as possible.

Before we approve such a scheme, we should take into consideration various of its essential elements which cannot be ignored. Its purpose is to produce wealth of all sorts in abundance. In order however to accomplish this object, we must know what sort of wealth to produce, and to this end be acquainted with all the wants of the community, devise some plan whereby every legitimate want may be satisfied with least inconvenience, and at the same time discover, and in some manner choose from among the millions

of men concerned, the special masters or directors who are competent to judge of the capacities and needs of the community; so that every man may have his appointed task and each his just reward. Such overseers are indispensable, for if every man be free to select his own task and take from the general store whatever he wants, confusion will be inevitable. If I work for myself, I will know what to do, but if I work for all the rest, I must be told what to do. In order that I may have what I want from the general stock, that which I need must be put within my reach somehow. These difficulties are not inconsiderable.

A great nation composed of millions of men cannot conveniently choose from so many those whose special aptitudes fit them for the delicate tasks so to be imposed upon them. The masters selected will have great power as well as great responsibility. They must be both wise and just, for if they blunder the whole scheme will fall into confusion. Moreover, there is a limit to the best human capacity. No man can know the peculiarities, abilities and needs of even a thousand of his fellow-citizens. We must therefore appoint not one but many masters, as many in fact as a hundred millions of people need. There is in an army an officer for every ten or twenty privates. Shall we appoint so many? If so, we

shall have over the many millions concerned millions of masters each of whom will have with respect to his fellows an arbitrary power more considerable than that required for the management of troops; for the civil master must not only have power to make another do that which is requisite for the general good but he must be a judge of that good and of the fitness of every man whom he controls for each task assigned. He must moreover be acquainted with the wants of all under his charge and see to it that each appropriates what he ought to have and no more. He must indeed be equal to an even more delicate responsibility. All tasks are not alike; some are pleasant and others disagreeable, some hard and some easy. These tasks must be justly apportioned, and from day to day, so that none shall have a grievance.

If notwithstanding all of these difficulties, we do manage somehow to divide the population into convenient groups and to set over each a master competent to compel what is requisite for the welfare of those composing it, there will remain another difficulty which ingenuity may find it hard to solve. Not every petty group can possess the natural resources upon which its prosperity must depend. We have farming communities and cities. Those who live in towns

need food; the inhabitants of the country require a multitude of articles made in the cities. How shall the various petty groups be induced to so cooperate as to produce in right quantity the articles of which the others have need? Will it be necessary to appoint, in addition to the corporals and sergeants mentioned, captains, majors and generals as well? Or should we first take a census and ascertain the number to be served, the needs of each, say so many pairs of shoes, so much clothing, so much food, so many houses, etc., and then divide the population into convenient productive groups having in view the productive capacity of each and the wants of all?

This latter plan has much to commend it. If we know that one hundred millions of people need three hundred million pairs of shoes each year, nothing should be easier than to establish factories having the requisite capacity; set so many to the raising of cattle, so many to making leather, etc. The plan is not however so simple as it seems, for the cattle must be assembled and killed, the material for tanning must be provided from various parts of the country, the leather must be forwarded to the factories and the shoes delivered to the consumer. In order to accomplish all of these tasks satisfactorily, the shoe-

master must control or have some authority over the grazing lands, the ploughed fields, the forests, and also over the transportation systems which he must employ; and so must every other master of every other industry. How shall all of these masters be reconciled? If we needed shoes and nothing else, the problem should be simple enough; but we have a thousand needs. Can a thousand masters independently control all of the various means, materials and instrumentalities upon which each must depend? If they cannot, how can their conflicts be reconciled? If one chooses this man to make shoes and another thinks him fitter for making cloth, which shall command his energy? Moreover, in the event, —and such an event is not improbable,—it transpires that after the requisite labor has been set to the production of shoes, there is not enough for other commodities, how shall this trouble be overcome? We need say ten commodities but six only can be produced: which shall we do without? Who shall decide?

These troubles incident to a communistic system are not fanciful, yet they are inconsiderable when we reflect upon the restraints which such a system necessarily involves. Masters perhaps will flourish, but what of the men? They must do this or that as they are told. If they refuse

they must be punished, else the whole plan fails. Will they be free or slaves? If slaves, will they be apt to work with energy? If for example I dislike my appointed job and prefer literature to brick-laying, how and to whom shall I show my fitness for one task and unfitness for the other; what tribunal will decide, where the principles involved are so delicate, intangible and perplexing as those which affect the merit of a literary performance or the capacity of an artist? If the tribunal decide against me, must I continue to lay bricks, and if I must, will I be apt to lay them well or ill, zealously or peevishly?

We must consider also another necessary incident of the communistic scheme no less ominous. Not only will labor be enforced but the wages received for it will depend upon many delicate, accidental and capricious influences which may seriously affect the welfare of all workers. Communism assumes that the needs of a people can be ascertained by some body of officials and that what they deem an adequate supply of goods will in fact be satisfactory to all men, however they may differ. If the Bureau think we should be content with so many shoes, so much clothing and food, such and such living quarters, will all of us gladly acquiesce? Will we be content to live not only as another shall dictate, but where

he shall appoint? These are very grave considerations and we may well doubt the wisdom of any scheme which involves them. Few men will be content to get rid of private property in order to substitute for it universal slavery; yet if we must have a common property we must resort to compulsory labor, to a directed and controlled industry, to an arbitrary distribution of goods, to limited gratifications, to a set wage, to a predetermined and arbitrary mode and place of living, and to the tyranny of a thousand masters elected by lot, unknown and untried.

If, bearing in mind these manifest consequences of a common property and enforced cooperation, we turn aside and attempt to conjecture a more comfortable, less complicated and more liberal plan of living, what sort of scheme should we devise? What we need is an abundant production and just distribution of all the goods which contribute to the comfort or happiness of millions of individuals differing in capacity, taste, inclination and energy; who, having various wants and various aspirations, wish to be free to do and live as they please and where they like; and because they resent another's tyranny, should be willing to allow a like freedom to their fellowmen. These are the essentials of any plan which is likely to be approved by the common opinion

of reasonable people at this day. How and by whom shall such a plan be devised? Who among us is competent for so great an undertaking? What human faculty can conceive the wants and idiosyncrasies of the millions of his fellow-citizens and show to each how he may accomplish his desires? The world has produced many great men, yet since the beginning none has been equal to such a task. Plato wrote his Republic twenty-five hundred years ago; the Greeks were a great and ingenious people, yet at no time, under any government free or tyrannous, did they venture to make trial of the beautiful but visionary scheme of their great philosopher. More devised a utopia for the England of Henry VIII's time, yet neither his contemporaries nor posterity thought fit to try or even consider his dream. A man may seem ever so wise, but few of us can be brought to believe that another is wise enough to guide the industries and control the destinies of all of his fellowmen. Upon what then must we rely? How can we accomplish that which we desire?

Perhaps a task which is beyond the capacity of any individual, may be within the reach of the common sense of mankind guided by experiment and instructed by experience. The race is old; it has tried many experiments; it has had a

very various experience and after many thousands of years we have the results of its instruction embodied in the conventional institutions which surround us. The world began with savagery and has achieved what we call civilization—not suddenly, but gradually. It tried an enforced cooperation, a common property, over and over again. Its slow progress has been away from such expedients to the free system which we now observe.

Let us examine this system and try to understand its origin and the forces by which it is guided and controlled. If we regard it historically, it seems to have been the result of influences which began to operate after the dissolution of the feudal system. The dark ages following the downfall of the Roman Empire were disturbed by incessant conflict. Some sort of law, some compelling authority was required for peace. Groups of men found such law and authority under one whom they first called chief and then king, and they obeyed his will in order to avoid anarchy. Such rulers used their authority for the general welfare and forced some to fight and some to till the gound and some to forge armor. Tasks at first arbitrarily distributed tended after a time to fall to those fit for them, and so a variety of occupations resulted from

compelling influences. Society however was organized for war and not for peace, for safety and not for prosperity; and so remained for a long time.

When by reason of the spread of order and the gradual consolidation of kingdoms, wars became less frequent, the restraints which incessant conflict necessarily involved were gradually relaxed and the arbitrary and vague services of feudalism were commuted into fixed rents or taxes. For centuries all workers had been slaves. What one sowed, another reaped; none had a motive to zealous industry; all that a man produced in excess of what was necessary for his own livelihood was appropriated by the lord. As soon as a limit was set to such exactions and men were permitted to appropriate and own the excess, industry began to revive. Men worked zealously because they had a motive to do so. Freed from the land, they wandered about in search of work and many of them found their way into the towns and became apprentices to various arts and crafts. As the products of labor multiplied, trade became active and markets were established where the goods and wares made in the towns were exchanged for food and raw material; and at these markets were revealed the various needs of those who mingled

together; and so goods in demand were advertised and brought forward and men were induced to take up useful, profitable and various tasks. The slavish system which compelled the individual to do what another deemed necessary for the general welfare was succeeded by a free system which induced the right service by rewarding it. So great a revolution was not however suddenly accomplished. For centuries the laws interfered with its progress. Those in authority could not be brought to believe that men could be safely emancipated from their superintending care. Wages and prices were fixed, trade was regulated and restricted, monopolies were granted to encourage special industries, and all sorts of petty, vexatious and injurious restraints were imposed upon the makers and distributors of goods. Only after a long time, and rather as the result of the stress than of the instruction of experience, did industry become emancipated and take on that free yet dependent character which we now observe.

The industrial no less than the political organization of society has therefore been the result of vigorous and constantly operating influences which in the course of a long time led men away from primitive tyranny to the comparative liberty with which we are now blessed. We began

with communism and have achieved a voluntary cooperation which if it be not absolutely free, yet is more free and unrestrained than any system which has preceded it. If this be true, is it foolish to conclude that the common sense of mankind, fortified by the instruction of centuries, has rejected communism and approved a freer and more comfortable system? And ought we not rather to defer to this common sense, so fortified, than to trust ourselves to the untried and perhaps foolish dream of the theoretical philosopher? Society has never been foolish collectively. Somehow it has managed to survive all sorts of vicissitudes and all sorts of trials, and in spite of them to achieve a slow but visible progress from anarchy to regulated liberty—from poverty to relative affluence. That it has achieved so much should induce us to give to existing institutions at least a candid and respectful consideration and prevent us from condemning them without a hearing. Perhaps our industrial system is not as hateful as it seems.

By comparing it with communism, we discover that however imperfect it may be, it is at least free from many of the evils which necessarily result from communism. Men are free to do what they please and to live where they please, in the sense that they are not compelled to do

what and live where a master shall require. They are not only free to choose their work but to choose their gratifications. What they make they may spend as, when and where they please and not as another shall direct. These advantages are not inconsiderable. Freedom is worth something of itself. It is preferable to tyranny even if it result in sacrifices, yet it seems to involve none, for never before were men so prosperous. They were poor under feudalism; communism tended to keep them so. They began to prosper as soon as they became emancipated. Today they are better off than ever before. These facts invite our consideration. Whatever defects may be found in our present industrial system—and I frankly admit that it is not perfect—it is yet free from many, very many evils which communism involves; and it has not made us poorer, but richer. Let us therefore try to understand it.

In order to do so, it is necessary to confine one's attention to the subject and not permit it to stray into less fertile but more pleasant fields. Industry concerns itself with the production and distribution of wealth. Its object is not moral but economic. It does not ignore, but it cannot be guided by those benevolent and most worthy motives of private conduct which result in

liberality and charity. Concerned with business and with business only, with the production, not the benevolent use of wealth, with what men do in order to live and thrive, and not with what they ought to do in order that others may not suffer; it leaves charity to religion and the nobler impulses of men, and contents itself with providing the means whereby those impulses may be gratified.

If we keep constantly in view this essential difference between philanthropy and industry, many of the irritating suggestions of irrelevant criticism will fall by the way and we shall perceive and appreciate the admirable methods whereby a reasoning people in the course of a long time has managed to bring about the closest harmony between private selfishness and general welfare.

Let us now look about without prejudice. What do we observe? The world is very busy. Men move to and fro incessantly, each intent on his own affairs. A vast majority of them find work to do which seems to be satisfactory. They differ in character and in capacity and perform various labors. Somehow they have managed to divide themselves into convenient economic groups. We have farmers and millers, miners and blacksmiths, tanners and shoemakers,

merchants and carriers, bankers and brokers; and each group seems to contain just the right number, no more, no less. We have also markets and exchanges where we get what we need and dispose of what we have. Somehow the right goods are brought forward in the right quantities and no want of a luxurious people can long remain unsatisfied. Everybody seems to be intent on his own affairs; yet if we look more closely we shall observe that each works for somebody else. No one makes goods for his own use: what he makes he sells, what he needs he buys. We serve each other not because we must but because we choose to do so, yet in the exchange of services we seem to seek not another's but our own advantage. If we serve, we serve for pay; if we sell, we sell for profit. Yet no harm seems to result. By cooperation everybody seems to realize some advantage for himself as well as for others. Lacking direction of an official sort, we nevertheless spontaneously accomplish all that a compelled cooperation, cunningly contrived and rigorously enforced, could accomplish. Being free, we are yet mutually dependent. We thrive together and languish together. No class prospers at the expense of the other; each shares in the prosperity of the other. If we have large crops, the prosperity of

the farmer is shared by every other group; when the factories thrive, the miner flourishes. Somehow, in spite of what seems to be an industrial anarchy, we manage to live together, to work together and to serve each other zealously and efficiently; and such irregular, spontaneous, undirected cooperation seems to have resulted in greater comfort and happiness than was ever before known by mankind. These are the facts which confront us. To understand them is worth an effort.

The most remarkable feature of this free system is that while it seems purely selfish it is always cooperative or altruistic. We must first understand this anomaly.

The explanation is obvious if we consider the motives and influences by which this free system is guided and controlled. It rests as should every human institution, on human nature; not of one man, not of a governing class, but of the average man, his motives, weaknesses, propensities, needs and capacities. We may assume that this average man has wants and wishes to gratify them in the easiest way, and that his intelligence should prompt him to find that way in the course of time. We may also assume that by reason of the establishment of civil order he is not at liberty to pray upon his neighbors, as did

the feudal baron and his retainers, but must get by his own labor what he needs. Such a man, so situated, may adopt either of two courses: he may make all that he needs, as did his savage ancestors; or he may make one thing only and get what he needs by trade. Of the two, specialization and trade are to be preferred because practice tends to skill and skill to more and better goods, and trade to a satisfactory distribution of goods. In these advantages of specialization and trade is to be found the explanation of that spontaneous cooperation of free men which followed the relaxation of the feudal system. Every man got more for himself by working for others than he could get by working for himself alone. His motive was not benevolent: he did not set out to do good. He was induced to do good by the desire to help himself; and having such a motive was compelled, in order to gratify his own wants, to make what another desired. His prosperity depended on the exchange value of his own goods: to get by exchange, he had to give in exchange something worth what he desired. In this manner the benefits of, or the increased production resulting from specialization, were realized. Such is undoubtedly the explanation of that mutual exchange of services or voluntary cooperation, which we have observed.

The motive which I have indicated not only induced men to do something useful to their fellows, but to do that which each could do best. An individual who selected a craft for which he was unfit, could not hope to compete in the goods market with another of greater capacity and equal industry. If for example, I must work ten hours in order to produce a certain article, and another can make it in half the time, he will be able to offer his product for less than I, and unless the market be broad enough for both, I must yield to him and go into some other business. In trade every man has a motive to give as little as he can induce another to accept. He who gives more will therefore always be preferred to him who gives less. In the case put, I cannot give as much as my competitor and must devote my energies to some craft better suited to my capacity. The influence of competition is not to be deprecated but encouraged. Society has many wants. Its prosperity depends upon the ease with which it may gratify them. Every producer of goods is also a consumer. Where goods are easily produced by one man, and by another with difficulty, the former should be encouraged and the latter discouraged. We are apt to forget that in trade we exchange labor for labor; that the value of

every man's labor depends on what he can get for it; and that what each can get for his own must depend upon another's efficiency. To decrease the labor cost of an article is to decrease the market price, that is, the price which we must pay in labor for it. We therefore encourage efficiency, and by the constant stress of competition induce free men to do that sort of work for which they are best fitted.

Because these influences were constantly at work, the emancipation of labor did not result in anarchy. On the contrary free men devised under their guidance a better industrial organization than was ever before known: one that resulted not only in more goods of the right sort, but in their just distribution. Under it every man, however selfish he might be, had a motive to do his best. His share of the goods produced by all depended upon his own contribution to the general stock.

To these influences and to freedom, we owe modern prosperity. Men have become zealous in each other's service. They have contrived ingenious machines which assist them in production and have formed themselves into competitive groups in order by a closer cooperation to obtain better results. In these groups specialization has been carried very far. No one is now a

shoe-maker. Each makes part of a shoe. One cuts leather, another sews, another heels, another finishes, and each has the assistance of a machine. The result is astonishing. Where formerly a man produced in a day one pair of shoes, today five men with the aid of machines produce not five pairs, but twenty or thirty pairs. So it is in every other industry. The factory has everywhere supplanted the craftsman, and as a consequence the community has more goods than ever before. Every laborer produces more by and gets more for his labor. This is the explanation of the amazing progress of modern industry and of the ease with which we satisfy our wants.

We now approach the subject with which we are chiefly concerned. What is the reward which has stimulated men to strive so zealously for the welfare of others? It is property. In property every man finds a recompense proportionate to his service. Rob him of this reward and the whole system crumbles. If he cannot possess and own what he makes, and freely exchange it for what another makes on terms satisfactory to both, he will not work save under the lash of compulsion. Liberty and property are justly associated, for without property liberty is fruitless. Property lies at the very foundation of our

political and industrial systems. It emancipates us from the lash of the overlord, affords a motive and guide to industry, induces every man to do that sort of work for which he is fit, results in the abundant production at least cost of all the various articles of which society has need, and tends to that cordial and zealous mutual service which we now observe. So great is the importance of property that we have almost sanctified it. It seems a natural right. Christ praised the good and faithful servant who increased his own store by serving his fellows. Life, liberty and property are declared by our Declaration of Independence to be among the inalienable rights which governments are bound to protect. If I make a hoe it is mine by the common opinion of mankind.

We allow private property even in land, not because the appropriation of a natural resource to the exclusive use of any man can be justified, but because as practical men we wish the land to be made as productive as possible. The farmer must somehow be induced to feed not only himself but the rest of the community. If we say to him, "You must sow what we will reap," he will not be zealous in the performance of so unprofitable a service.

Notwithstanding these considerations, men are constantly attacking property. They complain that it is unequally distributed; that one has less because another has more; that the rich man has appropriated more than he can earn, and that the poor are victims of spoliation. If these things be true, then all that has been said is false. Let us examine critically the arguments of these protestants.

I assume that none of them is disposed to quarrel with the general proposition that men are and of right ought to be entitled to what they produce and should be allowed to exchange their own goods for goods produced by another. The evil complained of, if there be one, must lie elsewhere. It cannot be found in the mere fact that wealth is unequally distributed, for one man may be more industrious or skillful or saving than his neighbor, and if he produces more he should have more. The evolution of industry has resulted in many consequences and in these consequences we may find the germ of the general discontent. One of those consequences is the extreme to which we have pushed specialization. In order to make as much as possible with least effort, we have established factories and so distributed the various processes of manufacture that today no one makes a

completed article: that is an article ready for the market. Everything made is the product of many workers and it is difficult to estimate the contribution of each to its market value. We now solve this difficulty in a rough way. Goods are made and disposed of and the proceeds are distributed among those concerned according to a rule which seems to be arbitrary and unjust, one receiving wages, another a salary, another interest, another profits. Fair men who do not quarrel with property as such, are dissatisfied with the manner in which it is distributed among those who cooperate to produce it. There are others who complain of trade and insist that it encourages cunning and rapacity, and results in the enrichment of one at the expense of another. Others quarrel with usury: money they say is inert and barren and produces nothing, yet it receives the lion's share. These and like prejudices are too widely diffused to be disregarded. Moreover they are supported by facts which none can deny. Trade does sharpen the wits and some get rich by it while many fail. The capitalist may take his ease and live in luxury; the workman, who gets least, must toil incessantly. These consequences of our free and selfish system provoke resentment, and lie at the root of the discontent which now afflicts us. We cannot ignore them.

The labor question is hard to understand. There are few principles to guide us. We can no longer measure the value of an individual's service. The old, simple way of ascertaining the value of work done by the goods it may be exchanged for in the market, is no longer available. Where many cooperate to make and one sells and distributes the proceeds, it seems to lie in his power to give much or little as he pleases, and he has a motive to give little. The employer is not altogether free, for he cannot force men to accept less than another will pay; but jobs are not easy to find, and a man trained to one craft cannot always find a vacancy in that craft. Moreover, a righteous employer who means to be just, cannot have his way. Every factory must compete with every other, and if one pays higher wages than another it cannot sell at the same price. Besides these causes of friction, there is the difference in men's capacities: one is a better workman than another, yet both get the same pay. The cost of goods is predicated upon the whole output of the factory, and they are marketed wholesale. Discrimination in wages is not only resisted by the Unions, but is excessively inconvenient. Employes are not associated in the management. However wisely and justly affairs may be managed, the

employe is never sure that he is getting his just share. These and like influences tend to discontent.

I will not venture to offer a solution for problems which practical men familiar with all the facts have tried in vain for centuries to unravel. A theoretical solution can have no value. The considerations involved are obvious enough, but are too complicated and confused to admit of definition. A factory is composed of building and equipment, proprietor or manager, and employes. The fund to be distributed is the difference between the cost of goods, labor excluded, and the price realized for them in the market, less the cost of distribution. Theoretically it should be easy to divide such fund into interest, profit, and wages, but such a division is never possible. Altho the rate of interest may be fixed, the employer and employe will never agree with respect to the division of the rest. Business affairs involve great risks. Times are not always prosperous. Upon the proprietor fall the losses; out of the fat years he must accumulate enough for the lean. The success of the enterprise depends in greater degree upon his ability than any other factor. He must know where, when and how to buy raw material, and where, when and how to sell the finished

product; what to make and how to make it; the cost of goods and their market value. It is hard to estimate the value of such capacity: there is no standard by which it may be gauged.

Moreover, wages have a first lien on the enterprise. They must be paid whether earned or not. What part of the value of the output is due to the workman, what part to the efficiency of the machine with which he works or the peculiar market value of the commodity, it is hard to determine. Workmen are not of equal capacity: the man who makes a sewing machine does not deserve as much as the inventor. Such considerations obstruct the application of any theoretical rule for the distribution of profits, however plausible it may seem. Perhaps the following incident of the Russian revolution may serve to show how hard it is to estimate the value of managerial capacity.

An American in charge of a factory which employed Russian workmen was called upon by a committee of the party momentarily in power and asked various details of his business; namely, what was his salary, how much he paid his workmen, etc. He replied that he received 37,500 rubles a year, and paid on an average 1000 rubles to his employees. He was thereupon informed that thereafter his salary should be

1000 rubles. When he refused to serve for such pay, he was seized by soldiers, forced into a wheelbarrow and trundled thro the streets behind a cryer who proclaimed that here was an American who exacted for himself 37,500 rubles a year and paid his Russian employees only 1000. After being subjected to such danger and humiliation, he was released and discharged. Several weeks later the same committee called upon him and requested him to resume charge of the factory at his former salary, offering this remarkable explanation: "Something has gone wrong. Everybody has been busy, but we cannot manage to get any wages out of the concern." The American consented on condition that he should again be conducted thro the streets but with the proclamation that he was the American who had taught 2000 Russians how to earn 1000 rubles a year. His request was granted.

Many schemes have been tried which promise a reconciliation of employer and employee, but none has been successful under all circumstances. Piece work, profit sharing, bonus in proportion to output, however fair they may seem, and however well they may work in special instances, sometimes result in bitter failure. They must always fail where the wages so derived are less than those current, and they are apt to fail

wherever such wages are more, because a customary wage in time becomes a vested right, however it may be earned, and discontent can never be satisfied. That there are factories without discord is undoubtedly true, yet in every such instance we find the explanation in the special character of the employer and men associated. A persistent course of fair dealing, a generous desire to have men share in the prosperity which they have helped to promote, a wise, flexible, adaptable policy founded upon good faith and guided by intelligence, are fruitful of good even tho they cannot achieve absolute justice.

If, passing a problem which does not admit of merely scientific solution, we turn to a consideration of the general economic influences upon which both wages and profits depend, we enter upon a more fruitful field and may perhaps discover something which shall tend to reassure the doubtful and calm resentment. The factory is now the unit of production. It has taken the place of the craftsman. As a unit it is controlled by the laws which formerly controlled the individual. It is a specialist. Its prosperity depends upon the exchange value of the goods it produces. It must make what the community needs and offer its goods in competition with

every other engaged in like industry. If it is inefficient, it cannot survive. It sells for the highest price and offers the lowest. Its object is to make cheap and sell dear. Its welfare depends first upon its own efficiency, that is upon what it offers; second, upon the efficiency of every other industry, that is upon the purchasing power of its own goods. When great progress is made in the art of shoe-making and none in the weaving of cloth, the purchasing power of shoes measured in cloth will be less than if both crafts had been improved. The economic laws which compel efficiency in one industry are beneficial in the highest degree to every other. Competition should be encouraged; none should resent its influence: the prosperity of all depends upon it. Abundant goods are cheap goods; scarce goods are dear goods. Wages and profits depend upon the common stock of goods produced by all industries. In order to derive much from this stock, much must be contributed to it. Wages cannot be fixed by the employer. He can not pay more and he cannot pay less than the average rate earned, and that rate depends upon the average product of all the laborers engaged in industry. Wages rise when factories and business are most active; they fall when business declines. They are

highest when most is produced and lowest when production is curtailed. Profits are highest when wages are highest. These facts are too well established to require proof.

From them is to be inferred another fact which disposes of the current error now under consideration. The employer does not pay wages: they are earned by the laborer. High wages cannot impair the prosperity of the employer, always provided they are earned, because they do not come out of his pocket. Mr. Ford taught us this lesson. His minimum wage was twice the average, but he saw to it that the minimum was earned. He would have no bad workmen about him. He made more for himself by paying more to his workmen than any other factory. His genius assisted their industry, and their zeal his welfare. The machine which he provided was the best friend of the worker, because it enabled him to produce much by his labor. Mr. Ford knew how to so organize and equip his establishment as to make it the most efficient plant of its kind and his workmen the most zealous. Neither thrived at the expense of the other. Mr. Ford's millions represent not harm done but good—good to his associates, good to his employes and good to the community. Profits do not come out of wages.

Nothing is more injurious to the community and to those who compose it than scamp work and restricted output. They tend to lower wages which zeal and efficiency tend to raise. Where the prosperity of the whole community depends upon the amount of wealth produced by all, everybody should strive to produce as much as possible, for his share will be great or small as the common stock is great or small. What each appropriates, he must create or get by fair exchange. He must offer goods for goods. His enrichment does not involve another's impoverishment. He cannot get something for nothing. If we look about us and compare the economic condition of various peoples, we shall find that wealth and wages depend upon the same influences and advance together. A country fertile and rich in natural resources is not necessarily prosperous. That country thrives, all other things being equal, whose industry is equipped with best machines and whose population is most intelligent and most industrious. Wages are highest and fortunes are at the same time greatest in America, because it contains the most ingenious and industrious people in the world. It produces most goods and has most to distribute. What it pays in wages does not diminish profits, and profits do not diminish

wages. No one can controvert these facts. They prove that the spoliation complained of is fanciful. No man has ever got rich by paying low wages. A prosperous factory pays higher wages than another. If special occasion for friction between employer and employe arises, it should be met wisely and not by violence: with understanding of the factors and laws upon which the prosperity of both depend, and a wish to promote a common welfare by a just accommodation. The trend of wages should be always upward, because the efficiency of factories is constantly increasing. Today the machinist commands the energy of ten men; and his product being greater he should receive more than formerly. Hereafter, with the progress of the arts, he should receive still more. Sufficient goods can now be produced to enrich every member of the community, and if all classes would set themselves to zealous work and mutual fair dealing, discontent should vanish. No man should complain of another's prosperity, because that prosperity rightly understood is proof of services rendered and property earned.

A less difficult question is involved in the notion that trade results in the enrichment of one trader at the expense of another. It is hard to understand the origin and persistence of this

delusion, yet it is widespread and lies at the foundation of much of that prejudice against private fortunes which we are now considering. Rich men themselves share in the delusion. No merchant treats a seller of goods with that cordiality which he shows the buyer. He subconsciously assumes that he will make money out of the buyer and cannot make money out of the seller. He always means to give in trade less than he gets; to buy cheap and sell dear; and because he realizes his profits only after having sold, he thinks they are derived from selling. Nations are obsessed by the same delusion. The United States protects its subjects against foreign selling. Its statesmen and its men of business are afraid of what they call an adverse balance of trade, not because it can be an evil to have an income in excess of an outgo, but because they think it advantageous to sell more than they buy.

If we search for the origin of this blunder, we shall discover that it is almost as old as human society. The foreign policies of all nations were for centuries jealously, exclusively and in the highest degree injurious to themselves. The mercantile systems of the seventeenth and eighteenth centuries were built upon a philosophy which few had the wit to evade. Those systems rested

upon the assumption that money was the most desirable sort of wealth, and this assumption proceeded from the fact that prosperity could be measured only in money. A trade which involved the export of money was therefore deemed injurious. The average merchant of today shares in the error which dictated the old policies. When money is coming in he knows that he is getting better off, and when it is going out he thinks he is getting worse off. He reckons his profits in money, and as those profits are derived immediately from the buyer, he assumes that they are realized at the expense of the buyer. As all men are buyers of goods, they regard with suspicion those who inflict an assumed injury by selling. People generally suspect the rich man whose fortune is derived from trade. Poor men and dreamers are constantly proclaiming against the iniquity of such ill got wealth. We must understand trade in order to dispel this illusion.

Trade is an incident of specialization. Where no one uses or consumes what he makes, each must resort to trade to gratify his wants. At first goods were bartered or exchanged for goods. It is obvious that in barter neither party is buyer or seller: each is both. If he makes in one character, he must lose in the other,—and so

is no better or worse off as the mere result of the exchange. One, of course, may give a greater value than he gets, but such a result is never contemplated by the other. Each thinks he gets an advantage, for the exchange is always made on satisfactory terms. If I say that each does derive an advantage, yet neither derives it at the expense of the other, I will be deemed to have uttered an absurdity—yet the paradox is susceptible of positive and satisfactory proof.

It ought to be evident that the mere exchange of one commodity for another cannot increase or decrease the value of either. Where shoes are worth as much,—that is, cost as much in labor, —as hats, the cobbler and hatter after trading will have as much in value as each had before, no more, no less: but,—and this is the explanation of the anomaly,—each will have what he wants and to this extent each will have derived a distinct advantage from the other—not at his expense however, for both are benefited.

Now let us assume that the parties use money and buy and sell instead of bartering goods. Each starts with say five dollars and goods of equal value, and each buys from the other what he needs for five dollars. Is it not obvious that after such dealing each will have precisely what he would have had if he had bartered or

exchanged one commodity for the other? The reader need not be annoyed if he accepts with reluctance so plain a demonstration. Lincoln seems to have been unable to perceive it. He is reported to have said, "If I buy from an American an American hat for five dollars, America retains the money and the hat; but if I buy a hat from an Englishman, England will have the money and America the hat only." The implication is irresistible that we lose money by buying from a foreigner, yet it is false and misleading. In the one case, America started with five dollars and a hat, and after the purchase had been effected, still had the hat and the money. In the other case, she had five dollars but no hat, and after trading, a hat worth five dollars.

We are beguiled by the immediate consequences of selling and forget that we sell in order to buy. No trade can be complete until goods shall have been exchanged for goods. We do not now barter, because barter is inconvenient. A pair of shoes may be worth more than a hat, and the difference must be adjusted. We use money because it facilitates trade, first bartering goods for money of equal value, and then money for goods; but our object is to get with the goods we produce the goods we need.

It matters not therefore, so far as the benefits involved are concerned, whether we exchange goods for goods immediately or goods for money and then money for goods. That an unfair advantage is not designed may be inferred from the common use in trade of the word "bar-gain".

I have stated a simple case in order that it may not confuse. Let us go further into the matter and assume that shoes are worth four dollars and hats five, and that they are exchanged at these valuations. If each party starts with his commodity and five dollars, after trading the cobbler will have a hat and four dollars, and the hatter a pair of shoes and six dollars, but each will have in value precisely what he started with, altho that value has assumed another form. The cobbler started with five dollars and a pair of shoes worth four dollars, or nine dollars in value; and after trading he had four dollars in cash and a hat worth five dollars,—that is, nine dollars in value. He has neither made nor lost in value, but he has what he wants, and this benefit was his object. The profits which seem to be derived from mere selling are delusive, for each party may derive from the same trade the same profit. For example, if I value shoes which cost me four dollars, at five, and sell to the hatter for five, I

seem to have made a profit of one dollar; but if the hatter values his hat, which cost four dollars, at five and sells it to me at five, he also has made a nominal profit of one dollar.

Perhaps the problem will be simplified if we take a broader view of trade than is afforded by a single transaction. A diversified industry engages say one hundred men in as many distinct occupations, each of whom depends upon the rest for the gratification of his wants. In such case each must sell ninety-nine times and buy ninety-nine times. If every sale is made at a profit, every purchase must be made at a loss, for after it is all over the quantity of goods has been neither increased nor diminished. Each worker contributes one sort of goods and gets ninety-nine others of equal value. He gets out in value as much as he put in—no more, no less. The farmers of Kansas exchange wheat for various articles made in New England, and both sections are better off, but neither at the expense of the other.

I will not deny that trade can be less advantageous to one party than to the other. It is always hard to precisely measure the values involved, yet in the nature of things this difficulty is unavoidable. An article is worth to me what I am willing to give for it, altho another

may be willing to give more or less. If one makes a bad bargain, he is the victim not of trade but of bad trading. Certainly mere trading should not be regarded as the cause of the unjust enrichment of which men complain. Normally conducted, as it must be in the long run, it results in benefits to both parties. Men become rich by reason not of what they carry out of it but by reason of what they carry into it. Those who have more to exchange will always be better off than those who have less, and to this consequence of trade none should object.

Heretofore I have confined myself to the simplest sort of trade, namely that which is carried on between the producers of various commodities. Trade however is never so simple. Consumers of goods never meet face to face with producers of what they themselves need. The cobbler who needs beef may find it hard to discover a butcher who needs shoes. To avoid this inconvenience, money was invented. But money does not avoid all the inconveniences of trade. It may be hard to find a buyer for goods. The maker is as a rule too busy to undertake this task, and it is therefore entrusted to one who makes a business of trade. The merchant buys from the producer and sells to the

consumer; and as his service is useful to both, he is allowed what is called a profit for performing it.

Not all merchants get rich, but some of them do. Why? Is it not because those who render a better or greater service get more than the rest? The man who buys corn in Massachusetts for sale in Kansas, will not do as well as he who buys corn in Kansas for sale in Massachusetts. Merchandising is a science which requires ability, experience and resources. Of those who undertake it, few are what is called successful, and because many fail we are apt to assume that they are the victims of those who succeed.

Disregarding for a moment the welfare of the individual, what does the welfare of many men engaged in various occupations require? Each makes one thing, and that thing must somehow be exchanged on fair terms for every other thing which he needs. If he gets a fair price for his own commodity and pays a fair price for another's, he is as prosperous as he deserves; but if he gets little and pays much, he is the victim of another's rapacity. The merchant or trader, helps him to get a fair price and protects him against paying an unfair price by buying in a cheap market and selling in a dear. He who achieves that service accomplishes it in

competition with others having the same object. Should he not be encouraged to succeed? Much depends upon him. If he buys where goods are dear and sells them where they are cheap, has he not hurt both sections? Has he not made harder to get what was already hard to get, and made more abundant that which was already abundant? Who, under such circumstances, is better off as the result of his intervention? If on the other hand he buys corn in Kansas and sells it in Massachusetts, has he not done good to both sections by enabling one to dispose of what it has to sell and the other to get what it wants?

Simple as this service seems, all men are not equally competent to perform it, and a shrewd trader will always drive out a foolish one. No one should complain of such competition. It is called the life of trade, and it is: it tends to confine trade to those who understand it and render a service by conducting it. If we assume that the successful trader has rendered this service, should he not be rewarded? His intervention has been helpful to producers and consumers. He has hurt neither. His profit does not come out of either. Corn in Kansas is worth so much, in Massachusetts so much more. To buy at its worth in Kansas and sell at its

worth in Massachusetts does not hurt anybody. If the merchant did not buy in Kansas, wheat would be worth less there, and if he did not sell in Massachusetts, wheat would be worth more there. The difference between the local values affords a profit to the merchant, but that profit always represents a service rendered.

If this service were easy, all men would thrive by trade, yet they do not: neither should they. Consumers encourage him who sells for least; producers, him who pays most: between the two there is room for ability—for that sort of faculty which knows how to pay more and sell for less than another, that is, to help both producer and consumer. Underselling should not be deprecated, save in those rare instances where goods are sold for less than they are worth in cut-throat competiton; and in such instances the loss falls on the merchant, not the consumer. The profits of a trader show his usefulness, and none should withhold from him what he has honestly earned.

Great profits which go to swell great fortunes sometimes alarm us, but only because we do not understand their origin. A. T. Stewart made a vast fortune by selling goods cheap which had been dear, and at the same time was the best buyer in the market. He diminished the cost of distribution.

People are mistaken who deprecate the enrichment of traders. If good ones did not thrive there would be no inducement to promote the general welfare by discovering and satisfying on favorable terms the various needs of various members of the community. We should rather admire than contemn success in trade. Such success is never won by hurting—it is always the result of helping. The merchant prince is a benefactor of mankind and none should envy his prosperity.

I have discussed that sort of enrichment which results from trade and trading, and discovered in neither just cause for suspicion or resentment. It remains to discuss interest, or that increment which capital demands of the borrower. By reason of interest, men are enabled to live in luxury who seem to do nothing. Is it right that they should be permitted to do so?

Usury has always been odious. Christ drove the money changers from the temple. For many centuries the Church forbade it. During long ages it was deemed hurtful and hateful by all good men. "The usurer is the great Sabbath breaker; his plough goeth on Sunday" contains a general and persistent opinion. Jews were persecuted because they were usurers. We have today in the statutes of many states severe

restraints upon the rates of interest that may be charged. If we search for the origin of this opprobrium, we shall find that it proceeded from the just resentment of men. Usury was an evil for many centuries. Men in distress borrowed so much, spent it and were required to pay more. The improvident heir resorted to the Jews and lost his heritage, and that trade became hateful which involved the ruin of so many.

Today however these evils are confined to very narrow dimensions. Men no longer borrow in order to spend but in order to make money. We still justly condemn the money shark who afflicts the poor, but we should not despise a use of capital which enriches the borrower and the community. What is capital? Capital is saved wealth, and since all wealth is in a sense the product of labor, capital may properly be regarded as accumulated labor. As we use the word however, we mean by capital that part of saved wealth which is used in the production or distribution of other wealth. Every tool is capital. So is a machine, a factory, the raw material required and the wages paid pending the production and distribution of goods. Railroads, canals, highways and ships are capital, and all the innumerable instrumentalities of commerce. The function of capital is to help

the laborer. A mechanical knitter will do the work of 7000 hands. Machines of various sorts increase the efficiency of the laborer from five- to twenty-fold. A century ago it cost 26 cents to transport overland one ton one mile; today the same quantity is carried the same distance for half a cent. Our present prosperity is in larger measure due to the general and wise use of capital than to any other influence, and for this reason it is indispensable to the general welfare that somehow a constant and adequate supply be provided. There are but two conceivable ways in which it can be provided: the state may furnish it, or its accumulation may be left to individuals. How can the state provide it?

The state as we know it is not a maker but a spender of wealth: it does not support industry, but is supported by it. If it needs capital it must tax the property of its citizens. Can we rely on such a source for all the capital needed for the development of a great country? Let us assume that a law is passed which appropriates all private fortunes in excess of that modest competence which the majority of our fellow-citizens deem sufficient: and further, that as a consequence of such law, all of the factories and plants and transportation systems

of the country pass into the hands of office holders. How long will such capital last? If we allow it usury, the people are no better off, since they must pay. If we deny it usury, we must replace it. Capital is not immortal. Tools, machines, factories and railroads wear out. Are they apt to depreciate more or less rapidly under political control? If they do depreciate, how can the cost of renewals, enlargements and improvements be derived? Additional exactions from the people are impossible in the case assumed, without impairment of that moderate competence which we are willing to allow. If nevertheless we continue to appropriate private property, how long will the industrious part of the community continue to save what they cannot enjoy? The blight of the feudal system lay in its undefined exactions. No man had a motive to work so long as another had the power to appropriate the fruits of his labor. If we revert to the old plan and say to men, you may have so much and no more, is it likely that they will labor zealously after their allowance shall have been won? None but a dreamer, ignorant of history and of human nature, would venture to predicate an economic system on so false a foundation.

If we do not resort to taxation, we must so operate the instrumentalities appropriated as to provide for their maintenance and immortality. In this event, the factories and railroads must be operated at a profit and the community will be no better off than at present. Will it be as well off? I have already discussed the dangers and inconveniences of communism and it is unnecessary to reiterate them. Public control is never efficient. Politicians are not good captains of industry. An enforced labor is a sluggish labor. Where no man has a motive to economy, little will be saved. A monopoly is apt to be careless of efficiency, for where wages depend upon political influence and the public must pay, every job will become a sinecure. The appropriation by the government of the railroads in 1917 was followed by an immediate increase of from 25% to 33% in the charge for transportation, and a corresponding increase in the wages paid. A reasonable nation, however generous its prosperity, should hesitate to embark upon so hazardous a plan, save as a desperate expedient to remedy a desperate evil. We need capital and should prefer to provide it in some other manner. It is now provided abundantly. The government has borrowed billions for war and other billions will be forthcoming.

In times of peace, capital seeks investment. States and cities get what they need at 3½% or 4%. Private capital has built the railroads, equipped the farmers with cunningly contrived machines, established lines of communication from ocean to ocean, and financed the industry and trade of this country so advantageously that none can compare with it in affluence and power.

If it be asked how so great a sum has been provided, I answer, by the industry and providence of millions of people, each of whom has a motive to save. We have learned how to incorporate capital and can make a little profitable. Small sums derived from petty savings furnish the great sums required for great undertakings. We pay interest on savings, and get all the capital we need by allowing it earning power. What harm has followed? Who is hurt by the lender's gain? Not the borrower. If I lend a man a plow, can he not afford to pay me for its hire? The great borrowers are the soulless corporations created for profit and nothing else. The workman to whom I lend a machine increases his output five or ten fold. Do I wrong him if I ask a small part of his profit for the use of my property?

Does usury impair the general welfare? How can it? It tends to induce the accumulation of

the capital required for efficient production and distribution, and results in more goods at less cost and cheap distribution. The merchant who borrows can sell more cheaply than he who does not. Trade is a hazardous undertaking and the profits realized should recompense the merchant for his services and risk. If we assume that 10% is a fair return on money invested, the merchant who uses $100,000 of his own must make $10,000. If however another has but $50,000 and borrows $50,000 at 5%, he need earn but $7500 on the same sales, and can therefore undersell. Usury as we now understand it is paid neither by the borrower nor the community and cannot hurt either. If I make by the work of my hands in the course of a given time $1000 and save $500 which I invest in a machine to enable me to make twice as much in the same time, my increased output serves to increase the general stock of goods or make them more abundant. If I lend my machine to another exacting ¼ or less of the benefit he will derive from its use, will my enrichment be the result of his work or his enrichment be the result of my help? These considerations cannot be ignored. The prosperity of a community depends upon the accumulation and abundant supply of capital. The usury exacted cannot

hurt either the borrower or the community: it affords a motive to do what otherwise could not be accomplished. It encourages thrift and rewards self-denial. No evil can result from it. The capitalist can consume so much and no more. What he has in excess of his wants, he must use beneficially or waste profligately. To allow him usury is to encourage him to do good. None but those ignorant of affairs would venture to prohibit so fruitful a source of good.

Usury does sometimes result in the accumulation of great fortunes, but such fortunes should not be feared. It is an old maxim that "riches take unto themslves wings and depart". He who makes a bad use of capital, that is a use which is not profitable to the community, cannot retain it. There are but three generations between shirt-sleeves and shirt-sleeves, because it requires ability to manage a fortune. Few fortunes are inherited and transmitted unimpaired. If we consider the consequences of folly, extravagance, the distribution of estates, and the catastrophes which from time to time sweep over the country, we will not be apt to fear plutocracy. New men now and always have controlled business affairs. In spite of its power, capital must depend upon ability, and ability will in time appropriate capital. Happy is that

country which succeeds in inducing men to provide capital and compelling them to make an advantageous use of it. America is today more prosperous than Russia not because its natural resources are greater but because it has more capital, its laws are wiser, its industrial system is more free, its men are more industrious and more intelligent and its property is more secure. If we revert to the old tyranny and deny men a motive to thrift, we shall sink into the old poverty. The poor man should never complain that the rich man is his enemy. Capital is the best friend of poverty. It fortifies energy. Labor is indispensable to capital. Each is dependent upon the other and the mastery is with neither. Each helps the other,—capital more than labor: it affords the tool, the place to work, the increased product, the greater part of the wages earned.

What then becomes of the objections to private property which we set out to consider? What a man makes is his by the common opinion of mankind. He can make more by specialization than by attempting all things. Where labor is divided, trade is indispensable. Trade is advantageous to both buyer and seller. The merchant who facilitates it is worthy of his hire. Capital is requisite to industry—it increases the

products of labor and cheapens the cost of distribution. Usury induces the accumulation of capital. Its payment does not hurt the borrower; riches must be made of use to the community. Except they be usefully employed they cannot be retained. These are the general considerations which justify private property: common sense, experience, its private and general utility, its origin in service and self-denial, the spur it affords to industry, and above all the evils which it precludes.

I cannot deny that there are bad ways of getting rich, nor that wealth may be and frequently is ill used; but these subjects I cannot discuss. The ways of the criminal and speculator are fugitive and various. I have considered only that normal sort of conduct which we most properly attribute to just men who thrive by helping their fellows, and that sort of enrichment which is the just result of that service. If the argument fails it is because it is difficult to make an argument which shall be satisfactory to those who lack property. What men cannot have for themselves they are reluctant to allow to others. Reason has very little to do with the matter. If we envy a man of greater ability, it is natural to deny his superiority; if we have less by deserving less, we can still question

his right to more. The dissatisfied part of the community will ever find an excuse in an accusation. "Believe not much them that seem to despise property, for they despise it that despair of it", said Lord Bacon.

I have ventured upon the foregoing apology not alone to justify private property to those who are ignorant of the considerations upon which it rests, but by the display of those considerations to make evident certain blunders and follies commonly committed which tend, by restricting or restraining the free play of economic laws, to impair the general welfare. The most prosperous among us, not content with the natural and just rewards of energy and service, are apt at times to pervert their efforts to unworthy uses and strive to get without giving and win without deserving. Combinations in restraint of trade, labor conspiracies, protective laws and burdensome taxes are the effects of prejudice or cupidity and tend not only to serious material loss but to general dissatisfaction and unrest. Forgetting their mutual dependence and the actual interest of everybody in the efficiency and prosperity of his neighbor, class is arrayed against class, industry against industry, community against community and nation against nation. Labor unions restrict output under the delusion that such restriction will

result in giving employment to more men. Manufacturers combine to keep up prices. Communities are jealous of each other's goods, and attempt to excite a narrow and local feeling. Nations surround themselves by obstacles to trade which they call protective barriers. Taxes are imposed in hate. These and like wrongs are perpetrated in good faith by ignorant men. Let us examine the prejudices which prompt them and the effects which follow.

The labor union seems to be of opinion that short hours, scamp work and restricted out-put tend to raise wages. This delusion is very old. It originated in China thousands of years ago, and still dominates that unhappy country. The Chinese have always been jealous of innovations and improvements. They hold, almost as an article of religion, that every labor saving device costs a man a job. As a consequence, twenty men are required to pull one up a river. Steam is excluded. Freight is carried by men. Goods are made by hand. In consequence of these follies, Chinese labor is the worst paid in the world. This fact, which none can deny, should arrest the attention of those who are now obsessed by a like delusion. Wages depend upon the wealth produced by labor. Where ten men are employed to do the work of one, the proper

wage of one must be divided among ten. The workman is reluctant to admit that he must subsist upon what he himself produces. He does not know that if he confederates to produce little, he conspires against his own interest. The economic law which I have endeavored to explain exacts of every man that he shall contribute to the general stock of goods as much as he derives from it. If an individual evades the law by some hocus pocus, he is a parasite deriving his subsistence from another's effort. If he contributes no more than he gets, then when his contribution is small his wages must be small.

An illustration of the operation of this law is afforded by the pathetic consequences of the introduction of cloth making machinery into Lancaster in the early part of the 19th century. Prior to its introduction, cloth had been made on hand looms, and thousands of people were employed in such work. The immediate effect of the use of machinery was to deprive every hand-loomer of his livelihood. That under such circumstances they should have hated and attempted to destroy the machine was natural but unfortunate. After years of bitter strife and sorrow, they were compelled to submit—with this remarkable result, that the average wage of

the district increased three-fold: as soon as they began to produce more, they got more. The propensity to create jobs by slack work is no less foolish than the opposition to machinery. We divided the tasks of industry in order to increase its output. To now restrict the output by slack work, is to revert to the old poverty. It is sometimes hard to discover the operation of the law in the immediate consequences of job-creating conspiracies. A brick-layer formerly laid 1200 bricks in a day; he is now permitted to lay no more than 700. Wages were then $3.00 a day and are now $6.00 more. How can the law be reconciled with the fact?

Perhaps the dilemma is rather specious than real. It is not necessary to infer that what has followed an event is the effect of that event. All wages have risen in the same period of time. But if the increase is due to the restriction, then it is the result of what is odious and hurtful. No man should get more for work than it is worth; for if he succeeds in doing so, he thrives at somebody else's expense. Monopolies of all sorts are injurious. They levy toll on industry and derive their profits from spoliation. The constant and conscious object of every one engaged in industry should be to do his best, for that way lies prosperity. We are apt to forget

that wages are great or small, not as they are high or low measured in money but as their purchasing power is great or small. A man may receive $10 a day and be able to purchase but $2 worth of goods. When we sell and buy, we exchange labor for labor, and none can have an interest in getting little for his own. No one can get $10 worth of work for work worth $2, by any fair bargaining. To attempt such spoliation is to deserve disaster. Where a man gets five days wages for four days work, somebody pays for four days work five days wages, and if many are required to submit to such wrong, the industrial system is out of joint. Men who earn five dollars a day by honest labor, cannot long afford to pay ten dollars a day for dishonest labor.

Conspiracies between manufacturers to keep up prices are equally injurious and equally wrong. They tend to make goods expensive or hard to get, and disturb that equal, fair and just distribution which should be the aim of all honest men. High prices have always been alluring. A moment's reflection should discover how specious they are. To sell for a high price is to buy for a high price. The object of trade is the exchange of goods for goods; and their market values, however conventionally measured,

cannot affect their intrinsic values. If a pair of shoes are worth a hat, it matters not whether these commodities be valued for exchange at $2 or $20. People attribute prosperity to high prices, because advancing prices always attend an improvement in business. Yet the improvement cannot be the effect of the advance. A community which finds it harder from day to day to satisfy its wants is not progressive but decadent. Prosperity is the result of a contrary tendency. When goods are easily produced and readily disposed of, business is good. It neither hurts nor helps that money values advance; always provided they advance equally. Where however, owing to combinations, certain goods advance and others remain stationary, the disparity must always result in the arrest of trade. What is hurtful to the community cannot in the long run bring profit to the wrongdoer. The crises which from time to time disturb all commercial affairs are due to a growing disparity between the prices demanded and the means of payment. There is a price which the average man cannot pay. When he ceases to buy, the demand for goods falls off and industry languishes; and when as a result of such stress prices are reduced, the demand is renewed and business revives. Conspiracies in restraint of

trade temporarily result in unjust enrichment; yet in the long run cheapness is more profitable than dearness—service than spoliation.

All efforts to fix prices or wages arbitrarily are doomed to ultimate failure. They must fail because they result always in wrong to some class of the community, and there is a limit set by immutable laws to wrong doing. The law of supply and demand cannot be repealed. Since the beginning, ignorant men have been striving to evade it—never successfully. In Elizabeth's time wages were fixed. During the Dark Ages and down to our own time many many attempts were made to fix prices. Today we are attempting to do what our ancestors tried to accomplish by valuers in the thirteenth and fourteenth centuries. They tried and we try to establish what is thought to be a justum pretium for goods. The result of such interference is always uncertainty, confusion—wrong; and always will be. No man's intelligence is equal to such a task. To fix a price too low is to give a man too little for his labor; to fix it too high is to hurt the purchaser. Benevolence cannot estimate the relative values involved. What I, having nothing to sell, think of the value of another's property, may be less than he can get for it, or more than he can get. It is worth in exchange what another will give for it.

PRICE FIXING

In the sixteenth century there were three years of drought in England, and to alleviate the general distress the King sent his commissioners into every county with instructions to inventory and value all farm products and compel their sale at the prices fixed. Almost immediately there was a great outcry, for no goods were brought to market. The commissions were revoked with this significant comment: "We cannot induce men to accept 6 d. for a shillingsworth". We tried a similar experiment during the American revolution. So did France under the Directorate. Neither was successful. Today we seem to be succeeding—not because we have power to fix prices but because the government controls transportation. England controlled the price of corn during the Napoleonic wars by excluding foreign grain from its ports. The effect of our interference has been not to put prices down but to put them up. We create a monopoly by restricting the supply. Under normal conditions prices are automatically adjusted. An advancing price tends to stimulate production, and increased production tends to lower prices. To require a man to sell for less than cost is to stop production and inflate the price. The object of trade is mutual benefit, and he who robs it of its reciprocal advantage

kills it. Price-fixing results in wrong to one or other—producer or consumer, and that wrong cannot be long endured. If some are so enriched, others must suffer a corresponding loss.

Laws prescribing minimum wages hurt the very people whom they are designed to help. If an employe cannot earn what must be paid him, no one will give him work, and he is denied the right to earn what he can. We remedy what seems to be an injustice in one case by inflicting a wrong in another. That we cannot at once require an employer to give work and a minimum wage, ought to be evident. Where a miner can or will produce coal worth one dollar only, no one can afford to hire him for two dollars.

The infirmity which afflicts the social reformer is ignorance of the nice balance maintained by economic law between supply and demand—labor and its recompense—service and property. He is disposed to deprive Peter of something in order to help Paul. If he knew how and would teach Paul to help himself by helping others, many of the mischiefs which now afflict us would cease to do harm. I must admit that there are situations which seem to require drastic remedy, all laws to the contrary notwithstanding; yet even in such instances, unforseen and injurious consequences are apt to follow.

Lysis, a famous orator, persuaded the Greeks two thousand years ago to punish the corn dealers because they had raised prices. His argument, stripped of tinsel, amounted to no more than this: if you wish cheap corn, punish these men with death. They were executed, but the price of corn advanced. If in time of famine provident men who expect calamity and take proper precautions, be treated as malefactors, none will dare to do what the general welfare requires.

It is easy to disturb the intricate and complicated methods whereby goods useful to the community are provided and distributed under a system which originated in and depends upon experience rather than reason. The reciprocal play of powerful influences operating upon all is more trustworthy than any cunningly devised expedient of speculative philosophy. The innovator is more apt to hurt than to help.

Of all the evils which have retarded the prosperity of mankind, none is more remarkable than that which is disguised under the benevolent mask of protection. The word is of modern origin, but the pretence is old. Selfish men, benevolent philanthropists, misguided statesmen, busy-bodies comprehending nothing but eager to follow another's leading, and ignorant workers

striving to get more than they deserve, have confederated throughout the ages to support a body of doctrine plainly antagonistic in its actual operation to the very interests which it pretends to promote. Protection always involves an essential evil: it "protects" the consumer of goods against the goods. We have divided or specialized the labor of the world in order that it may be more productive, and have induced the production of the right articles by making every specialist depend upon the exchange value of his own goods. So only can he be induced to produce what another needs. To interpose an obstacle between them and the gratification of their desires cannot protect either; yet the doctrine is founded on such an expedient.

It is unnecessary to trace the history of this remarkable heresy. It had its origin in the paternalism of the old systems of government. The tyrant, king or emperor found it hard to trust any intelligence save his own and that of the parasites who surrounded him. Even under the Republic, Rome thought it necessary to compel every man to follow the calling of his ancestor, under the delusion that if industry were free men would not do what the general welfare required. Guilds and monopolies were the curse of the Middle Ages. Native

manufacturers, feeling the stress of foreign competition, found it easy to induce impecunious rulers to levy taxes which had the effect of embarassing importations. Private cupidity and public need undoubtedly originated the protective system. When, by the growth of commerce the enrichment resulting from foreign trade had become evident to many people, the restiveness of the merchants under hampering restrictions, was allayed by an ingenious argument which they found it hard to resist. "What," said the advocates of protection, "is the object of trade: is it not to convert goods into money? If this be its object, then that trade which brings money in is profitable and that which drives it out is unprofitable. We should therefore encourage exports and discourage imports." As a result of such specious reasoning, the mercantile policy, as it was called, became firmly established all over Europe and obtained until recently even in England.

The American colonists, ignorant perhaps of the argument, were soon induced to adopt it by a series of events resulting in great local discomfort which they were unable otherwise to explain. Starting from the old country, they converted their wealth into its most portable form, and instead of bringing bulky goods

brought specie. Money of course had little value in a wilderness, and in the course of a short time was sent home to purchase the goods needed. Inconveniece was the natural result of such exportation. Domestic trade needed a medium of exchange and measure of value. Ignoring the influences which induced the outflow of specie, the settlers adopted the expedient of paper money, and inconvertible paper money as we now know will drive out of circulation and keep out all money having intrinsic value. The troubles which followed led foolish men to attribute the mischief to the importation of goods, for goods imported had to be paid for, and as the Pilgrims lacked commodities they were compelled to send specie.

A century and a half of incessant embarrassment did not afford the instruction requisite for the adoption of the proper remedy. The first act passed by the Congress of the United States was directed against foreign goods, and after a while a remedy for the evil was found, not by the wit of man but in the consequences of that gradual industrial development which attended the growth of the settlements. Fishermen sold salt cod in the West Indies for silver, brought the silver home and thence it was exported for goods needed. In time domestic goods were

used for a like purpose; and gradually, but only after a long period, was commerce put on a right basis. Not even then however did men perceive the underlying principles of trade. Jealousy of imports had become an established tradition; and long after they had ceased to result in special inconveniences selfish men found it easy to appeal to and profit by the general prejudice. Today in America that tradition is still firmly established. The argument for it has been modified to secure and retain votes enough for its support, but its prosperity rests upon the old prejudice. Manufacturers now say they need protection not for themselves but for their workmen, and pretend that high wages are the results of high duties. This interesting pretension is now part of the economic gospel of the country.

Perhaps the best way to dispel it is to trace the emancipation of the English people from a similar delusion. Until the beginning of the 19th century England was governed by the country gentry. Agriculture was presumed to be the foundation of its prosperity, and to protect agriculture the importation of corn was restricted or prohibited. Adam Smith had long ago pointed out the iniquity of such restrictions, but his book had not yet become orthodox. Pitt having read it and been convinced by it, forced through

Parliament a law emancipating Irish commerce from prohibitions imposed for the presumed benefit of the English; but the Irish parliament rejected the boon. In the early part of the 19th century, Cobden began his famous agitation for the repeal of the corn laws. He was a manufacturer of cloth, who found his markets greatly curtailed by imposts which not only reduced his profits but raised the cost of living to his operatives. His attempt met with violent and contemptuous opposition. Perceiving the difficulty of convincing the landed aristocracy, he set himself to the instruction of the people and after a long, arduous and dangerous campaign, so far succeeded as to provoke the serious attention of statesmen.

The argument which prevailed was extremely simple. To the farmer he said, Why do you work; how much corn do you produce by your labor; what do you sell it for; what are your wages? When men admitted that they worked to produce corn, and produced by very hard work about seven bushels to the acre, and sold it at a price which realized for themselves about 8 shillings a week, he said to them: Leave your fields; come into my factory, produce cloth and I will procure for you twice as much corn and pay you twice your present wages, provided you

will help me to repeal the law which now keeps you poor. The argument was striking—and incredulity yielded to faith when he explained that cloth made in England might be exchanged for more American corn than could be produced in England by twice the labor.

Cobden's campaign was helped by the misery and discontent which followed the waste of the Napoleonic wars, but even suffering and riot failed to disturb the stupid serenity of the land owners. Their profits seemed to depend upon the exclusion of corn, and they could not understand how any man could be discontented so long as the gentlemen of England flourished. One man however, of first rate ability and great power, was convinced. He brought in a bill to repeal the corn laws, availing himself of an Irish famine to overcome opposition, and passed it through a reluctant House of Commons. Almost immediately prosperity began to revive. Even the land lords were enriched in spite of themselves. Having to compete with foreign corn, they improved their methods and increased the yield of corn fourfold. The prosperity of all classes, notwithstanding the innovation, led to the investigation of the principles of political economy—the usefulness of trade and the harm resulting from hindrances to the exchange of

commodities; and after a time all protective laws were swept aside by the rising tide of enlightenment.

America seems to have been untouched by the new doctrine. While England was busily engaged in emancipating its commerce, the Congress of the United States was forging chains for its restraint. I have been unable to find any echo of Cobden's agitation in any contemporary American publication. The index to McMaster's History of the People does not contain Cobden's name. Webster's great speech in advocacy of free coal for Massachusetts industries was followed by an equally great speech in which he supported Clay's policy of exclusion; but in neither does he refer to Cobden or Bright.

This remarkable fact requires explanation. Perhaps the remoteness of England and the difficulty of communication shut us off from even the most important events in its experience. I incline however to believe that we were too much occupied by internal affairs to understand even so significant a revolution as the repeal of the Corn Laws. Specie was still scarce among us. Paper currencies prevented its use. Always in want of specie, we attributed its loss to the importation of goods. That jealousy of foreign goods had its origin in this error, seems to be

established by the persistent use of the phrase "adverse balance of trade" and the care with which we have always guarded domestic trade against all restraints. The absurdity of the phrase cannot be exaggerated. What is trade? Is it not the exchange of goods for goods? Can the balance be "favorable" when more are exchanged for less? Was the balance "favorable" throughout that long period of time during which we constantly exported more than we imported? The fantastic notion that a balance of trade can be either favorable or unfavorable is hard to understand. Our excess of exports indicates no more than that as a debtor nation we have shipped goods for goods and also goods to pay interest on what we have borrowed. We made a profitable use of England's capital and sent abroad her share of the benefits realized. England's imports have been greater than her exports for a century, yet she has lost no money by reason of this "adverse" balance of trade. Throughout the period she has been the money market of the world. How can this fact be reconciled with the prevailing delusion? England has become rich because her income has been greater than her outgo—not in money but in goods. The United States has also been prosperous—although her income in goods was less than

her outgo. Both are better off. She enriched us with her capital, we her by paying interest for its use. The balance has always been even.

I know that under certain circumstances what is called an "adverse" balance of trade must be corrected by the export of money, but why, under such circumstances, do we use money and no other commodity? Is it not because it is more advantageous to pay in money than in goods? How can that be properly regarded as "adverse" which is profitable to us? In a great emergency such as confronted England at the outbreak of the war in 1914, she needed goods immediately which could not be paid for with goods, and naturally and instinctively sent to us a flood of gold. The mistake she made was not in using gold to get what she needed more, but in her estimate of her needs. All the gold in her coffers could not pay for half the goods needed. Vaguely apprehensive with respect to her own currency, she made a grave blunder at the start and attempted to check the outgo of gold, not by restricting her buying, but by restricting its export. The result of her folly was a great rise in the cost of what she needed. Her trade became "adverse" to her not in the conventional sense, but in the sense that her immediate needs could not be satisfied by her

ready resources. As soon as she understood her predicament, she adopted the right expedient, and trouble was averted. Buying on credit, she retained her gold and her goods.

No one need ever fear an "adverse" balance under normal conditions. Gold is never exported unless it is advantageous to do so. No disaster should follow. If its export results in inconvenience at home, that is, if gold become scarce at home, its purchasing power will rise and the direct and necessary result of such advance will be to draw gold from abroad. Money seeks its best market as instinctively as wheat or any other commodity, and it is incredible that it shall be long lacking in that country where it will buy most.

I have discussed the current delusion with respect to the "balance of trade" because it aided in the establishment of our protective system and lies at the root of much foolish thinking with respect to the nature of trade. Lincoln's hat story, already referred to, affords an illustration of the use made by protectionists of the delusion. Turning now to protection, we are confronted by an anomaly which demands explanation: we emancipate domestic trade and protect against foreign trade. Why? The adverse balance of trade notion being out of the

way, what other delusion induces us to do so absurd a thing as to hinder our foreign markets for goods by restricting their exchange for other goods?

There are various answers. Some people have a notion that the foreigner pays the duty, and therefore approve a policy which relieves themselves from taxation. Let us consider this error. I, a farmer, take my wheat to its best market, Liverpool, and exchange 100 bushels for a suit of clothes. When I arrive at New York, the government compels me to pay $60 duty upon the goods. What foreigner pays the tax? If I assume that the suit is sent to America and here exchanged for my wheat, must I not pay in wheat 100 bushels plus the duty? By what motive can the foreigner be induced otherwise to sell in America? Moreover, the dictum that duties add to the price which must be paid by Americans for foreign goods is the very foundation stone of protection. Domestic goods, it is assumed, should not be compelled to compete in price with foreign goods; and such competition is overcome by loading foreign goods with the duty: that is, raising the cost of them to the American consumer.

The arguments for protection are too various for discussion. None of them proceed upon any

intelligible, economic principle. Adam Smith has never been understood here. His doctrine was rejected even in England for fifty years. Obscured perhaps by national jealousies, it made no progress any where. France rejected Turgot and admired Colbert. Every nation was obsessed by the mercantile delusion that trade is profitable to the seller alone. None perceived the reciprocal advantages of a free exchange of the products of a divided and diversified industry. The American colonies were jealous of each other. Local imposts and restraints upon trade among the members of the Union were surrendered reluctantly—not because men perceived them to be injurious, but because they felt the kindling emotion of a common cause and a common victory. What they imposed upon themselves, as if in mutual sacrifice, they refused to allow to other nations. Today, as a result of that sacrifice, we have free trade among 100,000,000 of people widely separated and variously occupied, which we scrupulously defend against every encroachment; yet we as jealously prohibit the obvious benefits of such trade between ourselves and millions of foreigners more variously occupied and therefore more necessary to ourselves.

A startling fallacy like Lincoln's seems to be most influential with the crowd. Thiers when asked why he imposed certain duties on imports, said "I wish to see the chimneys of France smoke." His banality staggered his enemies, delighted his friends and won an instant victory. Nevertheless the connection between a smoking chimney and a duty on imports is obscure. The implication contained in the retort is of course false: one may make a chimney smoke by burning very precious wealth. A smoking chimney is not an end of itself: we consume coal to produce wealth of greater value. The real question, whether by burning coal we create such greater value, is smothered by the smoke. It cannot be worth while to burn coal to make at an expense of one dollar what we can buy for fifty cents.

That the American policy was not a reasoned policy is evident if we consider that trade cannot be beneficial as between Maine and California and at the same time injurious as between Maine and Canada: excellent east and west, criminal north and south. The original argument for infant industries was perhaps plausible a hundred years ago, but why after a century of fostering do those same industries now need a far greater degree of protection than that which sufficed for their establishment? Having

searched diligently, I can find no satisfactory ground for what Clay proudly called an American policy but the prejudices which were due to a peculiar experience from which we have never been emancipated by trial. America has always been prosperous in a general sense. Its resources were immense, its territory boundless, and wealth was within the reach of every industrious worker. The petty restraints imposed upon an inconsiderable foreign commerce did not prevent the free exchange of goods among ourselves. Because the protective system resulted in no distinct, visible and lasting harm, we have never tried to get rid of it.

England was emancipated by a famine. We have had no famine. By reason of our good fortune, we have never been compelled to consider and understand the inconvenience and loss actually resulting from our blunder. We take for granted that a system which is not obviously injurious must be advantageous. How little reason is used with respect to the questions involved appears in every political campaign. Orators tell us foolish things unabashed and unchallenged. One uses the balance of trade argument, another says the foreigner pays the tax; another says that infants one hundred years old must still be "protected", and another that

wages are high because goods are expensive. It is fruitless to discuss a question obscured by tradition and entrenched behind an inveterate habit. If I say that you cannot make goods or wages or prosperity by law, none will attend. To point to the fact that men who "protect" Americans against the pauper wages of Europe import paupers, is to excite anger. Many men are enriched by protection. The laws compel others to pay them tribute. Their wealth is ill got. What one man produces by the sweat of his face, the law compels him to exchange for less than its worth in order to enrich another. If protection were not spoliation, it would be absurd. To protect A against B and B against A, involves a manifest absurdity. If I get more because another gets less, and he gets more because I get less—what we each make we each lose, and so the protection is fatuous.

Protection is wrong in theory and wrong in practice. We perform various tasks and thereby intend to help each other. We make to sell and buy to use. Our mutual welfare depends upon a just exchange of goods for goods. Protection compels some of us to receive less than our goods are worth, and give to others more than their goods are worth. The farmer who can exchange 100 bushels of wheat for a plow

in England is required to pay 150 bushels to an American—to what end? In order that the 100 year old steel industry may be fostered into manhood, or that some Bohemian who cannot speak English may get high wages, or that an adverse balance of trade may be avoided, or that plows—to use Mr. Harrison's impressive phrase—may not be cheap and nasty.

Let me take a particular instance, now likely to excite prejudice, and examine the effect of protection upon trade with an enemy whom we have every reason to dislike. Germany produces dyes say for less than any other country: why should we "protect" ourselves against them? In order that we may learn to make them at greater cost? If we do not succeed in making them for less, is it not better to purchase them with other commodities which she needs? What harm can result? If we yield her a profit on her product, do we not get a profit on ours? By producing dyes at greater cost than we can buy them, we must lose the difference somehow. Germany can gain no more by selling than we by buying. Why should we prohibit such reciprocal service? Should we not rather bind her to our service than prohibit her to serve us? The system which we have evolved as a result of experience rests upon the principle that it is

advantageous for all that each should be induced to do that which each can do best. Protection induces men to do what another can do better, and thereby impairs the general prosperity. We can grow bananas under glass in Maine: would it be profitable to exclude the tropical fruit in order to establish such an exotic industry?

At the risk of being tedious, I have endeavored to show the origin of the protective system, the fallacies by which it is supported and the actual derangement which it effects in that superior, natural and spontaneous system which we have found to be so advantageous. If trade be profitable to buyer as well as to seller; if the fruits of a divided labor cannot be justly distributed without free trade between the various factors of wealth, then protection is a delusion and a snare. It restrains trade; it secures to special producers more for their goods than they are worth; it forces another producer to take less than his are worth. It is unjust and injurious and results in a private enrichment which is won by no corresponding service.

Taxes invite consideration because people are not apt to understand the effect of such impositions. They are levied by representatives of a majority who are prone to make them as heavy as possible under the delusion that taxes are

paid by the rich. Let us consider a special instance. If the whole stock of corn amounts to 1000 bushels, of which A owns 100, a tax on A's share seems to fall on A only; but this is not always true. A may intend either to consume the corn or sell it. In both cases the tax falls on the community. We find it hard to understand such effects because taxes are paid immediately in money, and only ultimately in goods. Where a millionaire pays $1000 into the public treasury, the money is disbursed in salaries and wages and we are apt to think such salaries and wages are paid by the millionaire. They are, in a sense, but not in effect; for every employe who gets money from the public treasury immediately spends it for food, clothing and other goods. Who produces the goods? Not, according to the case assumed, the millionaire, for all goods must be produced by labor. If this be true, then all taxes fall ultimately upon the productive labor of the country, and however they be distributed, must ultimately result in the appropriation of goods produced by labor. They always tend to diminish the general stock of goods. If a community produces $10,000,000 worth of goods, and taxes amounting to $5,000,000 worth are gathered and consumed by the public employes, but $5,000,000 worth will

be left for the use of the workers. The heavier the tax, the harder it is for men to live. Particular industries may not immediately feel this effect, because prices advance as taxes are increased; but nevertheless every producer is a consumer of goods and what he makes as producer he must lose as consumer: altho he may seem to get more, he in reality is getting less. An industrious German peasant who gets high wages may nevertheless, as a result of indirect taxation, starve to death. All taxes ultimately fall on the consumer of goods—no matter how they may be levied. The majority cannot evade their share. Pay they must, somehow, soon or late, in meat, rent or labor.

I have discussed these various expedients whereby clever men have attempted to evade or hinder the operation of economic influences, in order to emphasize the value of those influences —the good they accomplish and the evils they tend to mitigate. Restricted output, combinations to raise prices, duties on imports, taxes however imposed, tend to impair the purchasing power of labor and to withdraw from the laborer that just share of the common wealth which his industry deserves. Ingeniously, cunningly and always oppressively, selfish men have contrived and schemed to escape the economic law.

They may succeed for a time, with the aid of unjust and injurious legal devices, but always the economic law tends to restrain and correct them. The free, spontaneous system evolved by the experience of mankind, is wiser, juster and more beneficial than any contrived by the deliberate purpose of any man, however able. We are constantly interfering with its operation, but can never quite succeed in defeating the salutary restraints which it imposes, the good which it compels.

We have now traced the organization of industry from its origin through the various stages of its development, to the complicated but admirable system which is now firmly established. Founded upon the natural desire of every man to help himself, it has resulted in an harmonious cooperation whose guiding principle is mutual service. Selfishness has not ceased to be influential, but it has ceased to be harmful, for every man's private welfare is so firmly yoked to that of his fellows that strive as he may he cannot emancipate himself. The labor of each is a specialized labor. No one consumes what he makes. Making for another's use, each must make what another needs in order that he may get what he himself wants. Actuated by selfishness, men have become cunning and zealous in

mutual service. Labor is free, but not absolutely so: it is free to do good but not to do harm.

Trade enriches all who engage in it. Neither party can thrive at the expense of the other. Each gets what he needs in exchange for what he wants, but neither gets more than he gives. And so the increasing products of a divided industry are distributed justly and ratably among the various factors of wealth.

Vaguely perceiving the mutual advantages of trade, we have emancipated it from restraints and provided ingenious facilities for conducting it, such as money and markets. To enlarge the benefits resulting from it, we have encouraged a class who devote themselves to searching out the resources and wants of remote communities, and by their aid the fruits of the fields are brought to the doors of the manufacturers and the products of the factory to the doors of the farmer. Distant countries have been invaded and explored and their greatly diversified products made to contribute to our prosperity and theirs.

To another class we have entrusted the business of transportation, and by its aid the cost of moving goods has steadily declined until now it is one-tenth or one-twentieth of what it was half a century ago.

Still others provide the capital required for machines, highways, ships and trade. We have induced saving by rewarding it, and now millions pour the fruits of self-denial into the coffers of the banks, which in turn direct their investment or use for purposes profitable to the community.

These things free men have accomplished by themselves, unaided and uncompelled, by a spontaneous, natural system which has resulted in the enrichment of the world. At its basis, affording a sure and firm foundation, is one notion, one principle, one fact: what a man earns is HIS. We allow the laborer his hire; the employer his profit; the capitalist his share of the wealth which he has helped to create and distribute. Take away this wage, this profit, this interest, and the whole structure crumbles away. Disturb the spontaneous and just distribution of the rewards of service which men freely render to each other, and you rob them of a motive to mutual service and imperil industry. If some get rich, it is not because others remain poor. Riches is the servant of the people; property is the best friend of labor.

We have a country rich in natural resources; an energetic and ingenious people; capital in abundance; every hand at work among us controls the energy of five; goods were never so

easily produced; there is no limit to the productive capacity of men, and none to their desires. Why are we not all rich? Goods are riches. We can produce as many as we wish. We now deliberately produce few, save under those rare conditions of feverish prosperity which cannot endure. Let me assume what we have never observed—that every employer knows his business; that his credit is good because deserved; that capital is abundant; that he is emancipated from all foolish restraints, commands the best machinery known to the craft and is surrounded by skillful workmen eager to assist; that all other industries are as well managed and as well equipped; and that trade is free;—what should be the consequence? Will not goods be abundant and fabulously cheap, and will not each get his share? Goods are made for consumption, and the workmen constitute nine-tenths of the population. It is they who consume nine-tenths of the wealth. Every increase in product necessarily involves a corresponding increase in the share of each. If those who need much or wish much will produce much, they cannot fail to thrive. Each depends upon the other, and upon the cordial and unrestrained cooperation of all classes depends the welfare of all.

Today we fear over-production, as if it could be an evil to have many goods of the right sort. What we should fear is dear goods, or goods of the wrong sort. Nothing tends so effectually to arrest trade as a gradual increase in the cost and price demanded for special goods. Cheapness is never an evil, provided all goods be cheap at the same time. If however the makers of one sort of goods demand more in exchange for them than they are worth to the community, trade in those goods must cease. Cheap goods of the right sort will always find a ready market. We must never forget that ultimately wages, profits and interest must be realized in goods and not in money, and that where goods are cheap the rewards of all enterprise and all service are correspondingly high. An unrestrained trade in cheap goods is the economic ideal for which all should strive, for such a trade affords absolute assurance that the right goods are being cheaply produced and justly distributed.

The resentment which men feel when others thrive is a foolish sentiment, unwise and ungenerous. If property is the result of service, none should envy it. Not even the greatest fortune is to be feared. Where it has been earned it will be wisely used. There are among us men of affairs and genius who have become

benefactors of millions, and their fortunes are fabulous because their service to their fellows has been incalculable.

James Hill of Minnesota died worth fifty millions of dollars. He first made money by dealing in wood. In the course of that business he became familiar with problems of transportation, and bought a steamboat. Later he got control of a bankrupt railroad, and its business required him to penetrate and explore its territory. He traveled constantly and discovered a great and resourceful region lying along the northern border of the United States which had never been developed. He undertook its development. His first problem was to secure capital enough for the enterprise. He encountered great opposition. Those identified with the Northern Pacific Railroad regarded with suspicion an undertaking which seemed to threaten an injurious competition, but Hill persisted. He made a careful survey of the country to be traversed, ascertained the number of acres available for cultivation and the extent and value of its mines and forests. He calculated the cost of the railroad, the cost of operation and its probable income. In the course of time he convinced others of the feasibility of his enterprise, and secured the capital required. The road was

constructed with the utmost care and economy. All possible routes were investigated, and that was adopted which cost least, allowed of most economical operation and promised the greatest income. He caused the lands through which the selected route passed to be tested by experts, ascertained the number of acres which an industrious farmer might most profitably cultivate, selected his settlers and saw to it that they were properly stocked and equipped; he examined the markets at which various crops should be disposed of and assumed the burden of transporting them at a charge which would allow of a profit to the farmer at such market. All of these various affairs he managed with the utmost ability. His road was well managed. He kept his cars full and moving. When business was lacking, he created it. Where the jealousy of his rivals interposed obstacles, he obviated them by bold and unexpected expedients. He was successful and made money for himself, his associates and the millions of men who settled by the way; and he added to the riches and resources of his country the products of an immense area stretching from the Great Lakes to the Pacific Ocean.

Is anyone disposed to think that Mr. Hill did not earn his millions? He was the benefactor of millions of men, and each freely rendered to

him a trifling part of the wealth he helped to create and market. His railroad is still the servant of the people, its rates are deemed satisfactory to the public authorities, it is well operated and no one complains of its service. The tradition established by him still prevails, and because its service is excellent and the property is well and wisely employed, the road continues to prosper. Did not Mr. Hill earn and deserve the great fortune which his sons inherited? How, in what manner, to what extent has his sons' ownership of the securities of the Great Northern Railroad Company interfered with the general welfare? Who is worse off as the result of that ownership? The fortune left by Mr. Hill will be unprofitable to his heirs if it be not usefully employed. They cannot devour their income. What they save swells the capital resources of the country and assists its productive and distributive industries. They have been taught in a good school, and know how to employ capital. If they make a bad use of it, it will pass into other and more competent hands and ultimately enure to the advantage of mankind, since otherwise it cannot be of value to its possessor.

The moderate estate, limited to the actual needs of an average family, however alluring it

may be to the dreamy reformer who desires a beatific equality, will never provide more than the actual day by day wants of the people. We need more, more for war and more for peace; and if we need more, we should encourage its accumulation by rewarding those who make and save.

I know that many make what is regarded as a base use of their incomes, but what use would you have them make of it? How can one man know the propensities and natural desires of another? What right has he to interfere with their gratification? What good will result from the impertinent interferences of one's neighbor, who insists, that I shall dress, eat and live as he thinks proper? However extravagant a man may be, there is a limit to the amount of wealth which he may devour. What he does not waste belongs in a real sense to the community, since it must be employed in its service.

Property affords a basis not only for our industrial system, but a solid foundation for what we call civilization. It affords leisure for that sort of thinking which tends to make people wise and that sort of refinement which tends to make them mutually agreeable, and that sort of culture which enables them to understand their fellows, and that sort of security which is indispensable to what we call happiness.

Today we praise charity and affect to despise the means by which it accomplishes its blessings. Who is more useful to the state—he who teaches ten thousand men to make an honorable livelihood by serving their fellows, or he who induces five hundred to submit to tender ministrations of another's providing? Charity is exhausting; industry is productive. There is room for both in the world, but of the two industry is more necessary, for charity must depend upon it.

I admit that property is abused, but so is every other human institution. There are marriages which are not delicious, religions that lack credibility, courts which cannot understand law, doctors who disagree, lawyers who strive rather for victory than justice; yet marriage, religion, justice and medicine should not therefore be condemned. We observe the flaunting ostentation of the vulgar plutocrat and assume that property, not himself, is to blame. We wrong property. As an institution it should not be condemned. If it is unequally distributed, so is ability, character and energy. In inequality there is diversity and variety and mutual influence. If all men were alike, thought alike and lived alike, we should have nothing to say to each other. If men wished nothing, worked for nothing, could possess nothing save that average

of goods allowed by the dreamer as enough for felicity,—what would become of the arts, crafts and industries of the world; of its civilization and progress? Property affords a material basis for domestic happiness; it cannot guarantee such happiness. It also affords a motive for industry, helpful machines and means of transportation; but it cannot guarantee that all men shall become skillful and zealous and wise in the production of or use to which property may be put. Its tendency is to help, not to hurt; to help the poor as well as the rich. That it cannot cure the infirmities of men should not be urged against it. What crimes have been committed in the name of religion! Is it therefore bad? Men condemn property, but none should incline to do so who understand human nature and the spur which property affords to the languishing virtues of mankind. It is a selfish institution, but so is marriage and the home. Men will work for their own wives and their own children and their own property, and they will not work so zealously for any other. If it is wicked to be so, yet we are so and cannot help it. We must deal with human nature as we find it, and while we are human,

"It will never be a natural thing for men to take extravagant pains for the mere sake of

doing good to others. Where a man can honestly propose nothing to himself except trouble, change and loss, to be violent in the pursuit of so ill a bargain is not at all suited to the languishing virtue of mankind so corrupted. Such self-denying zeal in such a self-seeking age is so little to be imagined that it may without injury be suspected."

The irony of Lord Halifax will offend many good people. To these I venture to say: is it not possible that such resentment may be unreasonable? Selfishness is natural in the sense that none are without it. Is it not a certain sort of hypocrisy to ignore human nature and pretend that it is otherwise than it seems? Are not the church, the state and all other conventional institutions predicated upon the infirmities of men? Do men not need salvation because they deserve condemnation? Are not laws and courts necessary because men are prone to crime and wrong-doing? Political economy predicates its doctrine on the same foundation. Why then should people who approve the church and state denounce political economy? Its doctrine is not wicked, neither is it unjust nor unfair, nor in any way injurious to the commonwealth. It found men disposed to be free and useful to themselves. Finding them so, it observed and

examined the consequences of these propensities and discovered in such propensities compensations which are most reassuring. It justifies private property because private property affords to selfish, free men a motive to mutual service, a sure basis for general prosperity, an aid as well as an inducement to industry. Its doctrine is not an apology for selfishness, however clearly it may demonstrate that guided by paramount influences selfishness has been made useful to the community.

To denounce human nature may seem very great folly, yet to denounce selfishness will ever seem most generous. Is it therefore that men so loudly complain of political economy and profess to hate that property which affords the firm basis of its doctrines? Selfishness is ineradicable. Property is its effect, not its cause. If, like the church and state, philanthropy will calmnly allow what it cannot deny, much of the foolish declamation which now afflicts us will be quieted. Selfishness of itself may be either good or bad as its consequences are so. A courage which is admirable in a good fight may actuate the footpad. A selfishness which affords a powerful and constant motive to honorable industry, which induces a cordial and helpful cooperation and tends to a cheerful and intelligent mutual service should not be lightly condemned.

Property itself can be neither good nor bad. It is a possession, a tool, a thing. One may make a good or a bad use of it. Would any man take a good tool from a good man because in the hands of a bad man it may be used mischievously? The church is not the cause of hypocrisy, yet hypocrites thrive within it. Should churches therefore be condemned?

I have attempted to justify private property not as an end but as a means to an end which none can affirm to be dishonorable. That end is comfortable living under conditions which admit of what we call the higher civilization. I have not attempted to justify its abuse. I know that all men have not achieved that end, but if so it is because some cannot or will not, by reason of their infirmities of character. If many fail where few succeed, the trouble lies not in the success of the few but in the failure of the many. The few do not succeed because the many fail, nor do the many fail because the few succeed. If we destroy property, we will not help the many. Their prosperity depends upon the guidance of those who are superior to them in those faculties of which every community has greatest need. If all must suffer, then great will be the disaster, for nothing is more true than that a common property involves a common misery and a common slavery.

CONCLUSION

I trust the reader will pardon the reiterations of this brief essay. Prejudice is not easily overthrown, and I have thought that what one blow may not accomplish, two may. The same argument may have various aspects, one plausible to this man, another convincing to that. It can do no harm to say twice or three times the same thing, save to those who do not need to be convinced. I do not write for them, but for those less familiar with the refined considerations upon which economic doctrine depends; and I have tried to make common errors evident to those who are obsessed by them.

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